



Department of Justice

FOR IMMEDIATE RELEASE
THURSDAY, DECEMBER 13, 2007
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CRM
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TDD (202) 514-1888

BLUE CROSS BLUE SHIELD OF RHODE ISLAND ENTERS AGREEMENT WITH THE GOVERNMENT, AGREES TO PAY \$20 MILLION TO RESOLVE PUBLIC CORRUPTION ALLEGATIONS

PROVIDENCE, R.I. – The United States Government and Blue Cross & Blue Shield of Rhode Island (BCBSRI) have reached an agreement under which the insurer will pay \$20 million to resolve matters related to the government's ongoing public corruption investigation, the Justice Department announced today. BCBSRI has also agreed to a series of ethical reforms concerning the insurer's relationship with state officials.

Former State Senator John Celona and former House Majority Leader Gerard Martineau have pleaded guilty to public corruption charges as part of this investigation.

BCBSRI acknowledged in the agreement that while lobbying Celona on legislation, its executives caused the insurer to pay \$74,000 to a communications company to produce a cable access program hosted by Celona. Celona was paid \$13,565. Likewise, BCBSRI acknowledged that, while its executives were lobbying Martineau on legislation, members of the insurer's executive management caused the insurer to pay about \$175,500 to a business run by Martineau for the purchase of paper prescription bags.

BCBSRI further acknowledged that it paid \$400,000 in insurance brokerage commissions to an unidentified former Rhode Island Senate President while its executives were lobbying him concerning legislation.

As part of the agreement entered today, BCBSRI will continue to cooperate fully with the government's ongoing investigation. As long as BCBSRI complies with the terms of the agreement, the government agrees not to criminally prosecute BCBSRI for any conduct described in the agreement and in the plea agreements of the former state senators.

BCBSRI acknowledges and accepts responsibility for conduct of certain former executives, who caused the payments in question to be made, knowing that its executives were lobbying the legislators. The company also acknowledges that the executives were acting within their apparent authority as executives of Blue Cross Blue Shield of Rhode Island. The agreement also notes that BCBSRI has already replaced certain members of its executive management team.

Under the terms of the non-prosecution agreement, BCBSRI has agreed to pay \$20 million to the government and not to seek any rate increases specifically to recoup the \$20 million. The money will go into a fund to be administered by the Rhode Island Foundation. The earnings and interest from the \$20 million fund will be used to support projects designed to provide quality affordable health care services in Rhode Island.

BCBSRI has also agreed to a series of ethical reforms that it has already implemented and will maintain. These reforms include: compliance oversight by a Corporate Compliance and Ethics Committee; a full time corporate compliance officer and ethics department; a code of ethics governing the conduct of directors, officers and employees; and ethics training programs. The insurer also agrees to hire a government-approved monitor to oversee its ethics reform and its compliance with the agreement. The monitor will be in place for at least two years.

The public corruption investigation referred to in the agreement is being conducted by the Federal Bureau of Investigation, other federal agencies, and the Rhode Island State Police. Assistant U.S. Attorney Gerard B. Sullivan and Assistant U.S. Attorney Stephen G. Dambruch are overseeing this portion of the investigation, in coordination with Trial Attorneys Daniel A. Petalas and Peter C. Sprung of the Department of Justice Public Integrity Section, which is headed by William M. Welch II.

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